

# HOUSING IN LYNNWOOD

*A Review of Housing Trends, Conditions, and Programs*

*Draft  
July 24, 2019*

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# INTRODUCTION

City of Lynnwood policy makers have expressed interest in holistically understanding housing affordability and availability in the city. To examine housing collectively, the Community Development Department, Economic Development Department, and Alliance for Housing Affordability (AHA) partnered to prepare this guide.

The following is explored throughout this document:

- **Existing Conditions:** An overall assessment of current needs and gaps provides a basis to guide potential strategies, policies, regulations and programs. This analysis provides the framework for all future housing decisions in the City.
- **Current Lynnwood Housing Policies, Regulations and Incentives:** This section provide an analysis of what policies and regulations are currently adopted. This analysis can determine what is missing and the impacts of current policies and regulations. After significant studies and engagement, policies and regulations may be amended to implement housing strategies.
- **Recently Adopted State Legislation:** Housing is an issue of statewide significance. Several amendments have been made that may provide additional resources or demand.
- **Affordable Housing Strategies:** Strategies to implement affordable housing have been crafted and delivered at the federal, state and local levels and by non-profit agencies throughout the region and country. An exploration of best practices can help determine what programs Lynnwood may want to explore. It also presents the opportunity to craft programs that respond to other's success and challenges.

This guide is a living document which guide helps inform potential policies for consideration. As the City of Lynnwood prepares for the 2023 Comprehensive Plan this paper may serve as a resource for decision makers to ensure that the City is a regional model for addressing affordable housing. Additional fact-finding and a significant amount of research is needed before any of the policies, regulations, or programs listed in this document are adopted in order to make sure housing endeavors in Lynnwood are successful.

Definitions of common terms used in this document can be found in the appendix.

## ***Why is housing affordability important?***

Struggling with housing affordability can result in budget trade-offs. These trade-offs can affect the ability to purchase food, seek medical care, and pay utility bills leading to further instability of individuals and families. Research shows correlation between affordable housing and healthier child development, fewer serious health issues, and overall improved quality of life for households.

## **Homelessness**

Homelessness is a component of affordability. The Department of Housing and Urban Development (HUD) as identified four categories of homelessness:

- Literally Homeless: Individual or family who lacks a fixed, regular, and adequate nighttime residence.
- Imminent Risk of Homelessness: Individual or family who will imminently lose their primary nighttime residence.
- Homeless under other Federal statutes: Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition.
- Fleeing/Attempting to Flee Domestic Violence: Is fleeing or attempting to flee their housing or the place they are staying because of domestic violence.

The United States Interagency Council on Homelessness identifies reducing the risk of housing crises as a strategy to reduce homelessness. Reducing housing crises includes addressing the wide range of policies contributing to the availability of, and access to, and adequate supply of safe and affordable housing. Individuals experiencing homelessness often need services in addition to housing. These services can include treatment for chronic illness, substance abuse, and mental health.

While the need for shelter and wrap-around services for homeless populations is recognized, this document focuses on housing affordability and availability.

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# EXISTING CONDITIONS

This section provides current information on housing affordability and accessibility in Lynnwood. Data sources include U.S. Census, American Community Survey (ACS), and the Washington State Office of Financial Management. Charts and tables in this section are from different data sources that may use varying time periods.

The table below provides a general summary of housing in Lynnwood. Housing units represent individual units for sale or lease regardless of type of unit.

- “Household” generally means all the individuals living within one housing unit. Households can include single occupants, roommates or family units.
- “Family” indicates individuals living together are related by blood, marriage, domestic partnership or adoption.
- “Median Income” represents an equal number of incomes falling above and below a specific number. Median income is a commonly used metric to evaluate affordability.

**TABLE A. Summary of Housing in Lynnwood**

<b>Total Housing Units</b>	14,892
<b>Total Renter-Occupied Units</b>	43%
<b>Total Owner-Occupied Units</b>	51%
<b>Total Vacant Housing Units</b>	5%
<b>Total Households</b>	14,088
Family Households	63%
Family Households with Minor Children	25%
<b>Total Cost-Burdened Households (Housing Costs &gt;30%)</b>	23%
Households with Mortgage Costs >30% of Income	11%
Households without Mortgage and housing costs >30% of Income	3%
Total Cost-Burdened Households	37%
<b>Households Earning Less than 50% AMI</b>	38%
<b>Median Household Income</b>	\$58,852
<b>2019 1-Bedroom Fair Market Rent (HUD)</b>	\$1,445
<b>2019 Median 1-Bedroom Rental List Price (Zillow)</b>	\$2,330
<b>2019 Median Home Sale Price (Zillow)</b>	\$478,500

*Table data from Washington State Office of Financial Management, 2019; Alliance for Housing Affordability Website Dashboard: Lynnwood; 30% AMI percentages are derived from U.S. Census American Community Survey 2013-2017 (Tables DP04 and S1901 for Lynnwood); HUD FY2019 Small Area FMR; Zillow Home Values (www.zillow.com/lynnwood-wa/home-values).*

Data requires further information and clarification. Data analysis is a current and ongoing complexity in developing affordability housing policies and programs.

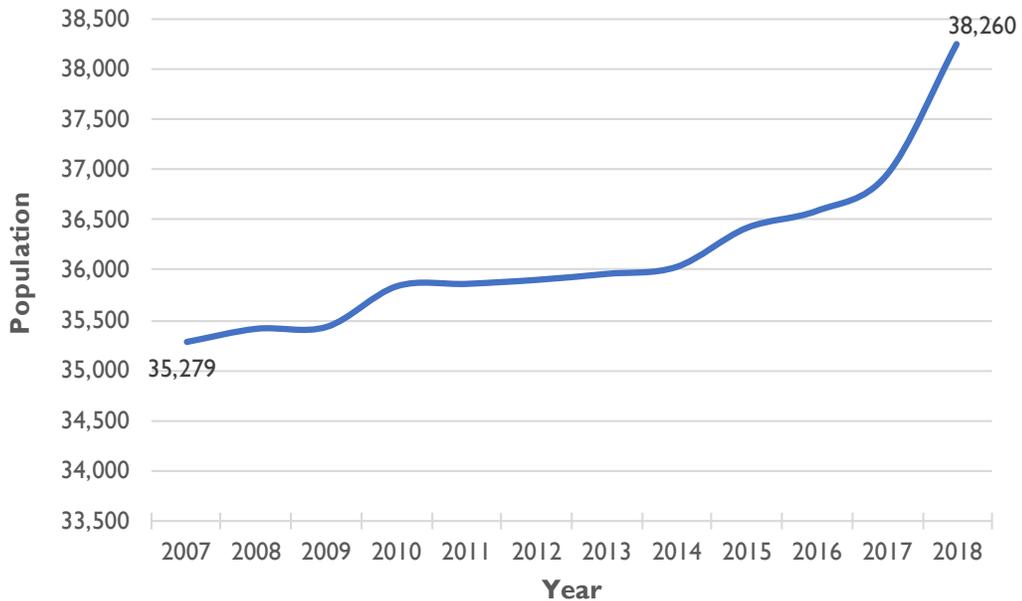
## Units and Population

The Housing Act of 1949 was a major contributor to suburban development across the country. The Act helped individuals toward home ownership through federal loan programs. The surge of new homebuyers resulted in the development of large tracts of suburban, single-family housing.

The Federal-Aid Highway Act of 1956 facilitated the construction of 41,000 miles of interstate highways. The expansion of Highway 99, Interstate 5 and Interstate 405 connected Lynnwood to employment throughout the region. These federal acts shaped Lynnwood's development and contributed to steady population growth. Lynnwood, like the region, has seen strong population growth for more than a decade.

**FIGURE A: Lynnwood Estimated Population Growth (2007-2018)**

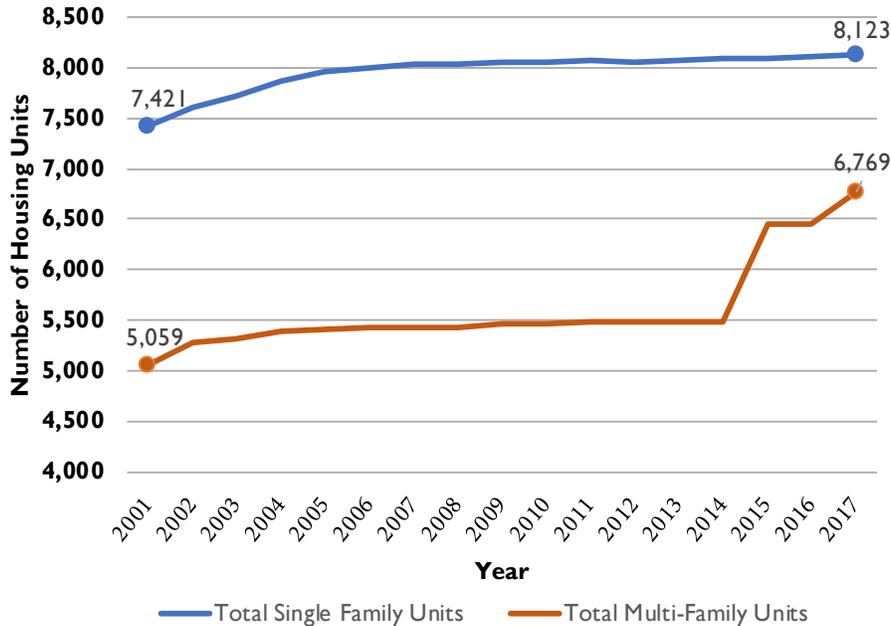
*Source: Washington State OFM April 1 Population Estimates, 2007-2018*



During and after the 2008 recession, housing demand increased while the amount of new housing declined. Peaks in 2016 and 2018 reflect recent multifamily housing developments including City Center Apartments and Destinations Lynnwood.

**FIGURE B: All Units by Year and Type, Lynnwood (2001-2019)**

Source: 2017 ACS 5-Year Data (DP04) and PSRC Annual Residential Permit Summaries.

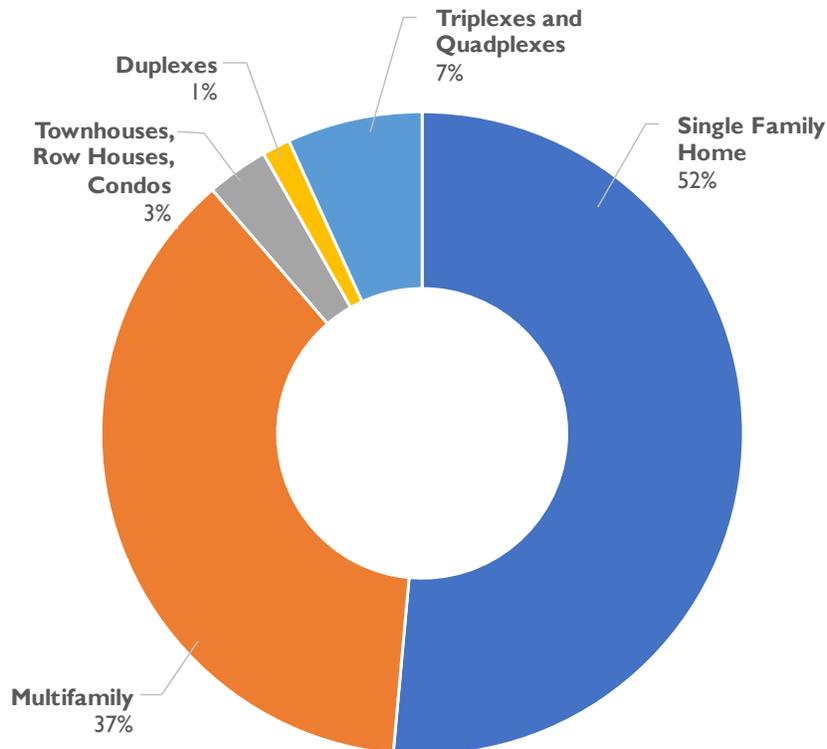


\* Total-Multi-Family Units does not include duplexes, triplexes, townhouses, row houses, and condos

Approximately 65 percent of land in Lynnwood is developed with single-family residential. Multi-family residential can be found along Highway 99, Alderwood Mall, South Lynnwood, and I-5. Regardless of these multi-family developments, Lynnwood maintains predominately single-family in character.

**FIGURE C: Housing Units by Type, Lynnwood (2017)**

Source: 2017 ACS 5-Year Data Table DP04



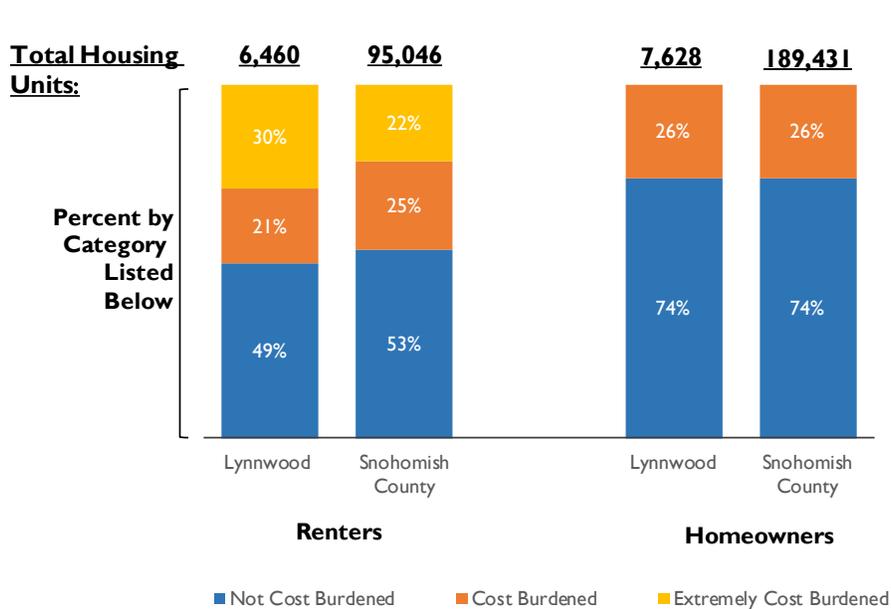
## Income and Affordability

Affordability varies person to person based on their income, background, and individual preference. Housing affordability is defined by HUD as a specific ratio that household's housing costs should not be more than 30 percent of their income. Housing costs include rent or mortgage, utilities, maintenance, taxes, and insurance.

More than 50 percent of Lynnwood renters are cost burdened according to HUD. HUD recognizes that cost burdened households "may have difficulty affording necessities such as food, clothing, transportation, and medical care." The 2017 median income in Lynnwood was \$58,852. To not be cost burdened, individuals making \$58,852 can spend up to \$1,471 monthly for housing.

**FIGURE D: Lynnwood and Snohomish County  
Cost Burdened Renters and Homeowners (2017)**

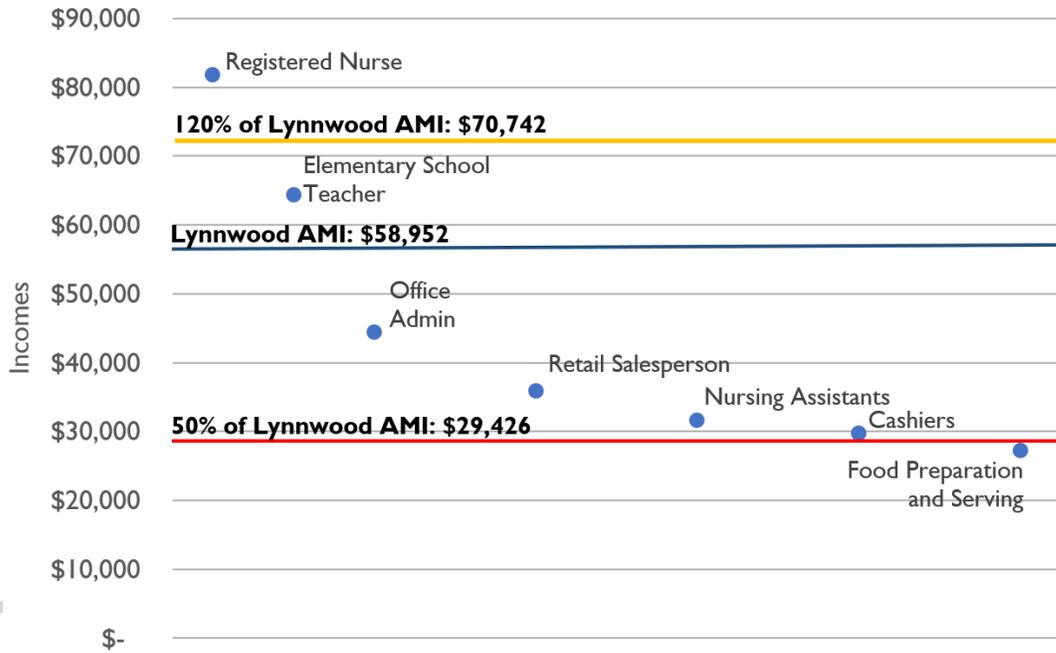
Source: 2017 ACS 5-Year Data Tables DP04 and B25074



Workforce housing addresses housing demand for incomes between 60 to 120 percent of the median income. In Lynnwood, this means an income between \$35,311 to \$70,622. Without being cost burdened, a household can contribute between \$882 (30 percent AMI) to \$1,766 (120 percent AMI) per month for

**FIGURE E: Regional Salaries compared to Lynnwood Area Median Income (2017)**

Source: 2017 ACS 5-Year Data Tables Table S1901 and 2017 BLS Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates



### Cost of Housing

Lynnwood represents 4.99 percent of households in Snohomish County. Within the county, Lynnwood has 4.78 percent of the total “low-income households” in Snohomish County.

A recent housing affordability trend is the result of decreased household buying power and increasing land values. Regionally and in Lynnwood, the Great Recession only paused the rise in housing costs. When the Great Recession ended the rise in housing costs continued in line with pre-2008 trends. As the unemployment rate fell starting in 2010, migration to Seattle and the central Puget Sound region accelerated. In that time, single-family home values recovered from recession losses (PSRC Vision 2050).

From 2013 to 2018, the Seattle-Bellevue region had the highest housing price increases nationwide. This is partially due to recession recovery. While housing prices have eased over the past year (Seattle Times), they are expected to continue rising. Average wages in the region, including Lynnwood, have grown by only 4 percent (adjusted for inflation). This gap in buying power makes it challenging for renters to move into home ownership.

**TABLE B: Monthly Base Housing Costs in Lynnwood, 2017\***

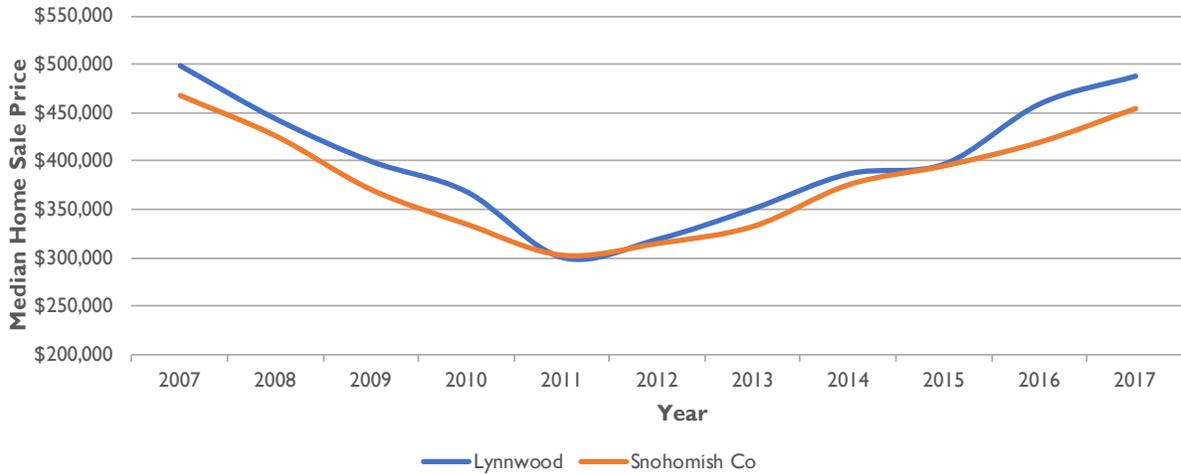
Type of Housing	Median Monthly Mortgage
Single Family Homes	\$2,786
Townhouses, Row Houses, Condos	\$1,635
Average Monthly Rent	
Multifamily (Average Rent)	\$1,388

Source: HASCO Home Sales Sorter, HASCO BLS & Rent Grapher spreadsheets

\*Duplexes, Triplexes, and Quadplexes were not included because there were only a handful of sales from 2000-2019.

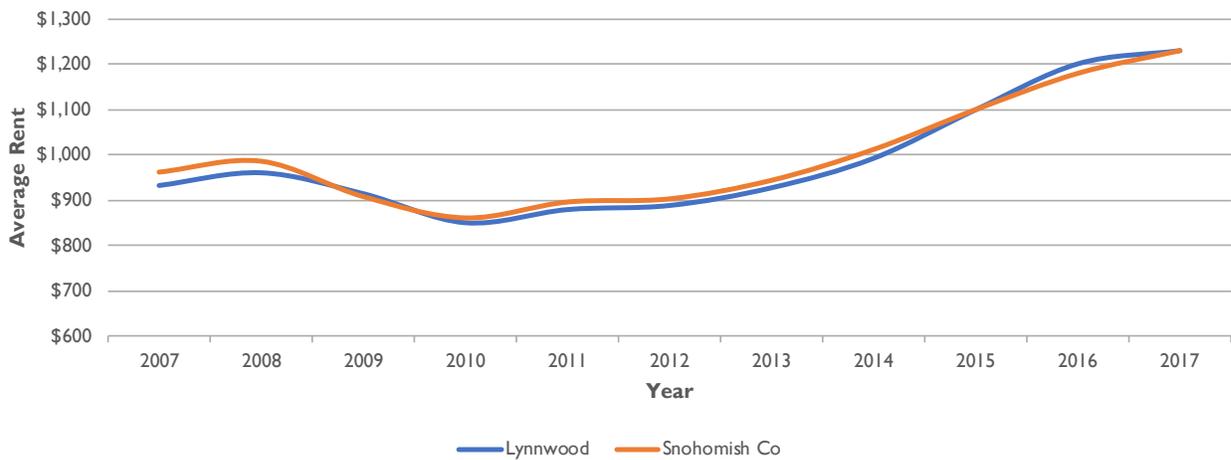
**FIGURE F: Median Home Sales Prices (2007-2019)**

Source: Snohomish County Assessors data



**FIGURE G: Average One-Bedroom Rent (2007-2017)**

Source: Dupree & Scott Rent Data



Lynnwood’s relationship to Snohomish County reflects increased costs on both median home sale prices. Increased cost of housing may represent additional demand, renovation of existing properties, and new construction. Costs of housing in Lynnwood varies by unit type and number of bedrooms. This wide unit range provides an equally wide range of affordability. The most current costs of units are shown in Figure G. As housing costs increase it becomes more difficult to move from renting to ownership. This requires the rental market to serve households that would normally move to ownership and new residents to the City.

## Housing Assistance

Households that spend more than 30 percent of their income on rent qualify for federal housing assistance (Section 8).

Other housing assistance programs exist at the federal level but have minimal presence in Snohomish County. Section 8

Housing Choice Vouchers program provides tenant-based and

project-based to housing authorities to administer to households. Tenant-based vouchers can follow the household if they move. Project Based Vouchers (PBV) are associated specifically with a unit of housing (for example a unit in an apartment building).

14 to 22 percent  
of units in Lynnwood are  
subsidized

There has been a waitlist for households that qualify for federal assistance for decades. At this time, the general waitlist is estimated to have a 10 year wait for housing assistance and has been closed since 2013. The waitlist for qualifying seniors and disabled individuals is open. This list has an estimated seven year wait from application to award of a voucher. Generally speaking, vouchers are awarded on a first-come first-served basis as they become available. A very limited number of vouchers in special programs are awarded through a preference system. In 2018, 30 vouchers from the general list were awarded by the Housing Authority of Snohomish County (HASCO). This indicates slow exits of households from the program due to difficulty finding non-subsidized housing. The general waitlist has approximately 1,300 households on it at time of writing.

HASCO has 3,788 vouchers being provided to households Snohomish County. Congressional trends do not indicate any additional vouchers will be made available in future years. Approximately 7 percent of Lynnwood's housing stock (or 1,076 units) use HASCO housing vouchers. A total of 28 percent of vouchers issued by HASCO are used in Lynnwood.

Subsidized housing is also available through the Low-Income Housing Tax Credit (LIHTC) which is a federally administered program. These tax credits can be used for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.

Subsidized housing already exists in Lynnwood. Currently there are 1,225 voucher subsidized units (HASCO & EHA) and 2,144 Low Income Housing Tax Credit (LIHTC) units within the city. It is difficult to know exactly how many assisted units are in Lynnwood because vouchers may be used to rent units in LIHTC projects. Between 14 to 22 percent of Lynnwood's housing units are subsidized in some way.

**TABLE C. Subsidized Units by Program (2019)**

<b>Section 8 HCV</b>	1,225
<b>Income Restricted Housing</b>	78
<b>Section 8 PBV</b>	105
<b>HUD 202 Rental Assistance</b>	115
<b>LIHTC Units</b>	2,144

Source: HASCO and EHA

**TABLE D. LIHTC Projects in Lynnwood (2019)**

PROJECT NAME	PROJECT ADDRESS	TOTAL NUMBER OF UNITS	TOTAL LOW-INCOME UNITS
Bristol Square II	15700 44th Ave W	96	94
Beaver Cove Apartment Homes	19800 50th Ave W	118	116
Beaver Creek Apartment Homes	4807 200th St. SW	120	119
Alderwood Court Apartments	18420 36th Ave W	130	128
City Center Apartments	3720 196th St SW	347	347
The Douglas	5031 208th St SW	62	61
Garden Senior Village	6425 196th St SW	122	121
Destinations Lynnwood	19501 40th Ave W	308	62
Oxford Square	4807 200th St SW	120	118
Pepperwood Senior Apartments	19924 Scriber Lake Rd	25	25
Scriber Creek	20917 44th Ave W	276	276
Whispering Pines Apartments	18201 52nd Ave W	240	223
Woodland Greens	19801 50th Ave W	240	237
YWCA Snohomish Portfolio	19703 68th Ave W	218	217
The Reserve at Lynnwood (Under Construction)	19815 Scriber Lake Rd	295	Unknown at time of writing
Total			2,144 units

Source: LIHTC Database

**TABLE E. HASCO Owned Properties in Lynnwood**

PROJECT NAME	PROJECT ADDRESS	TOTAL NUMBER OF UNITS
Alderwood	186th Pl SW	25
Alpine Ridge East	17408 44th Ave W	47
Alpine Ridge South	4515 176th St SW	46
Scattered Site	15630 34th Pl W	2
Pinewood	5714 200th St SW	25
Robin Park	19701 48th Ave W	30
Whispering Pines Apartments *	18201 52nd Ave W	240
Total		415 units

Source: HASCO

**TABLE F. EHA Owned Properties in Lynnwood**

PROJECT NAME	PROJECT ADDRESS	TOTAL NUMBER OF UNITS
Lynn Crest Senior Apartments	4629 194th St SW	39
Lynn Woods Senior Apartments	4705 194th St SW	37
Pepperwood Senior Apartments *	19924 Scriber Lake Rd	25
Scriber Pointe Senior Apartments	19912 Scriber Lake Rd	39
Total		140 units

Source: EHA

\*These properties are also LIHTC projects

# CURRENT LYNNWOOD HOUSING POLICIES, REGULATIONS, AND INCENTIVES

The Comprehensive Plan provides policies which provide guidance for the future of Lynnwood. Title 21 LMC, among other titles of the Lynnwood Municipal Code, provides development regulations within the City. These documents establish a framework for development to protect the health, safety, and general welfare of the community. They can be a tool to implement new trends or meet demands. This section reviews Lynnwood's existing policies and regulations as found in the comprehensive plan, zoning code, and other policy documents.

## **Comprehensive Plan Policies**

The Washington State Growth Management Act (GMA) requires the creation and adoption of the Comprehensive Plan every eight years. This document includes several elements which includes housing. The current Comprehensive Plan makes several housing recommendations with most centered around protecting existing single-family neighborhoods, mobile home preservation, and affordable housing. A full list of housing policies listed in the Comprehensive Plan can be found in Appendix B.

### Protecting Single-Family Neighborhoods (LU-32, LU-50, Economic Development Goal 4, H-14)

Recommendations for this topic include protecting single-family residential from encroachment by multiple family residential and non-residential uses, and promoting infill through use of small-lot subdivisions, zero-lot-line housing, duplexes, and accessory dwelling units.

### Mobile Home Preservation (LU-28, H-9, H-27, H-28, H-29, H-31)

Many policies listed in the Comprehensive Plan recognize the affordability of mobile home developments and manufactured houses. Policies focus on the preservation of these units and encourage assistance for the relocation of mobile home park residents when necessary. Criteria is provided for when rezoning mobile home parks is appropriate.

### Affordable Housing (H-21, H-23, H-25, H-30, H-32)

Recommendations call for supporting and encouraging the development of affordable housing. Policy recommendations include working with HASCO, investigating methods to ensure redevelopment does not result in a net loss of units, encouraging a variety of housing types and densities, and supporting mixed-income communities.

### Other Recommendations

Other policies within the Comprehensive Plan focus on improving transitions between non-residential and residential uses, providing incentives for certain housing types when appropriate, focusing growth in the regional growth center, and removing unnecessary development obstacles from the zoning code.

## City of Lynnwood Residential Zoning Regulations (Title 21 LMC)

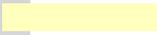
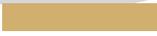
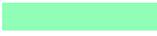
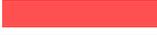
Title 21 LMC provides land use, density and bulk regulations that regulate the development of housing in the City of Lynnwood. There are other provisions in the LMC, such as the Building Code and Public Works regulations, which also regulate development. The following identifies the housing types defined within the code and the zones in which that housing is permitted.

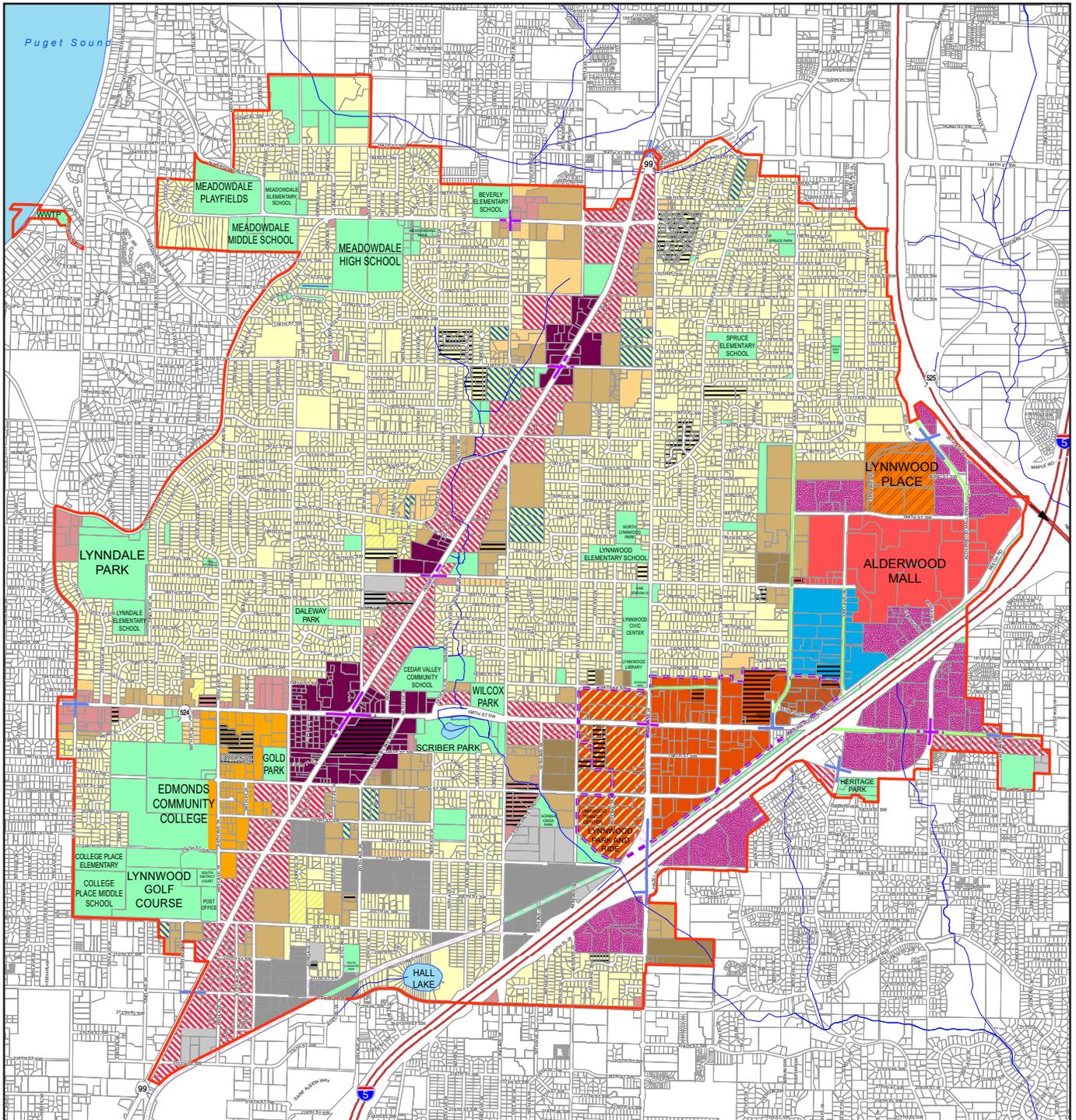
HOUSING TYPE (Definitions per LMC)	WHERE PERMITTED
<p><b>One-family dwelling</b> means a detached building or zero lot line attached building with one common wall on an individual lot designed exclusively for occupancy by one family and containing one dwelling unit per lot.</p>	<ul style="list-style-type: none"> <li>• <b>By right:</b> RS-8, RS-7, RS-4, CDM, MPH</li> <li>• <b>By CUP:</b> RML, RMM, RMH</li> </ul>
<p><b>Two-family dwelling or duplex</b> means a building designed exclusively for occupancy by two families living independently of each other and containing two dwelling units.</p>	<ul style="list-style-type: none"> <li>• <b>By right:</b> CC</li> </ul>
<p><b>Group dwelling</b> means more than two separate buildings, each containing one or more dwelling units.</p>	<ul style="list-style-type: none"> <li>• Not Allowed</li> </ul>
<p><b>Multiple dwelling</b> means a building designed exclusively for occupancy by three or more families living independently of each other and containing three or more dwelling units.</p>	<ul style="list-style-type: none"> <li>• <b>By right:</b> RML, RMM, RMH, PCD, CG (Hwy 99 FLUM), PRC, CDM, CC, ACC, HMU</li> <li>• <b>By CUP:</b> NC</li> </ul>
<p><b>Accessory dwelling unit</b> is defined in LMC 21.02.011 as a second dwelling unit on a premise occupied by a single-family detached dwelling. This unit provides a separate and completely independent dwelling unit with facilities for cooking, eating, sanitation and sleeping.</p>	<ul style="list-style-type: none"> <li>• <b>Accessory to SF use:</b> RS-8, RS-7, P-I</li> </ul>
<p><b>Mobile home</b> means a transportable dwelling unit manufactured after January 1, 1968, and before June 15, 1976, and bearing an insignia of the Washington State Department of Labor and Industries. All mobile homes without such insignia are nonconforming structures.</p>	<ul style="list-style-type: none"> <li>• <b>By right:</b> MPH</li> </ul>
<p><b>Manufactured home</b> means a dwelling unit constructed after June 15, 1976, in accordance with state and federal requirements for manufactured homes. All manufactured homes shall bear the appropriate insignia by a state or federal regulatory agency indicating compliance with all applicable construction standards of the U.S. Department of Housing and Urban Development for manufactured homes as adopted by the Washington State Department of Labor and Industries or the International Building Code as adopted by the city of Lynnwood.</p>	<ul style="list-style-type: none"> <li>• <b>By right:</b> RS-8, RS-7, RS-4, RML, RMM, RMH, MPH</li> </ul>

Continued on next page.

HOUSING TYPE (Definitions per LMC) <i>continued from previous page</i>	WHERE PERMITTED
<p><b>Senior housing</b> means multiple-dwelling housing which is designed for the particular needs of those elderly and physically disabled who may have functional limitations due to advanced age or physical impairment but are otherwise in good health. Residents of such housing can maintain an independent or semi-independent lifestyle and do not require more intensive care as provided in a nursing or convalescent home. For the purposes of this definition, elderly shall typically mean 55 years of age or older. Design features may include but are not limited to wide doors and hallways and low counters to accommodate wheelchairs, support bars, specialized bathroom and kitchen fixtures, and common dining, recreation, or lounge areas. Minor medical care may be provided at the facilities. The term “senior housing” shall include “congregate care” and “independent living community.” The definition shall not be construed to include facilities to house persons under the jurisdiction of the superior court or the board of prison terms and paroles.</p>	<ul style="list-style-type: none"> <li>• <b>By right:</b> NC, PCD, CG, PRC, CDM, CC, HMU</li> <li>• <b>By CUP:</b> RML, RMM, RMH</li> </ul>

Each zone which allows housing has permitted densities for that zone. The chart below identifies the maximum and minimum units per acre for each zone. If a unit per acre is fractional, staff rounds down to calculate permitted number of units. For example, if a site permits 4.5 units only 4 would be allowed.

ZONING DISTRICT	MAXIMUM UNITS PER ACRE	MINIMUM UNITS PER ACRE
 RS-8	5.19	none
 RS-7	6.05	none
 RS-4	10.89	none
 RML	12.10	none
 RMM	18.15	none
 RMH	43.56	none
 P-1	5.19	none
 NC	none	none
 PCD	none	none
 CG	none	none
 PRC	none	none
 BTP	Housing not permitted	Housing not permitted
 LI	Housing not permitted	Housing not permitted
 CR	21.78	none
 CDM (Multiple-Family)	43	20
 CDM (Single-Family)	6.05	none
 CC	none	none
 ACC	70	none
 HMU	none	none
 MPH	none	none



**City of Lynnwood Zoning Map**

## ***City of Lynnwood Housing Incentives***

### Multiple-Unit Housing Property Tax Exemption (MFTE)

The MFTE program provides tax exemptions to multiple-family housing. Qualified developments must be within a specific target area and include a certain percentage of low-income units. City Council designated the City Center as an MFTE target area. The target area was created in May 2007 by ordinance no. 2681.

This program incentivizes the construction of multiple-family housing to include a portion of affordable units, in exchange for a 12-year tax break. An 8-year tax break is also available and does not require an affordable housing component. It also helps increase residential opportunities within the targeted area; stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multiple-unit housing; assist in directing future population growth into the targeted area; and achieve densities which are more conducive to transit use in the residential targeted area.

To generally qualify, projects must be within the residential targeted area; not displace existing tenants, contain a total of 50 permanent residential units; comply with development regulations; and be designed to LEED silver standards. City council reviews and renders a decision on MFTE proposals through a Development Agreement. The Development Agreement is a contract between the City and the developer that establishes the terms and conditions of the project. (See Appendix C for more information.)

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# RECENTLY ADOPTED STATE LEGISLATION

Housing affordability is a matter of statewide significance. The House and Senate of Washington State focused on housing issues during the 2019 Session. This effort resulted in several different bills supporting regulatory and financial changes to address the lack of affordability in housing.

## ***HB 1406 – Encouraging investments in affordable and supportive housing***

House Bill 1406 was passed as a sales tax sharing program. The bill allows cities to access a portion of state's 6.5 percent sales tax revenue to make local affordable housing investments. The bill does not increase sales taxes. Funds received via this action must be used on capital costs (acquisition, construction, rehabilitation), operations & maintenance, or in some cases rental subsidy. Recognizing the individually small fund amounts each city would receive; the bill allows for sharing of revenues via interlocal agreements between municipalities. The funds can also be used to finance bonds.

Depending on the arrangements between counties and their cities, a qualifying local tax, cities may receive 1.46 or 0.73 percent, respectively, of the state's portion of sales taxes. To obtain the 0.73 percent tax rebate, a city must pass a resolution of intent to utilize this authority on or before January 28, 2020. The funds from this tax will be set based on 2019 sales tax information from the Department of Revenue. In 2018, 0.73 percent of the state's 6.5 percent sales tax in Lynnwood was equal to \$125,818. This sales tax sharing program has a duration of 20 years. (See Appendix D for more information.)

## ***HB 1923 – Increasing urban residential building capacity***

House Bill 1923 was passed to increase urban residential building capacity. The legislation encourages cities planning under the Growth Management Act (GMA) to voluntarily take actions to increase residential building capacity, including options related to upzoning, authorizing a greater variety of housing types, and utilizing options for regulatory streamlining. The Department of Commerce will award grants of up to \$100,000 to cities for actions listed in the bill, including developing a housing action plan.

## ***SB 5334 – Condo liability reform***

The passage of SB 5334 aims to spur development of condos. Condo development has been lacking in most of the region due to liability risks imposed on developers and their insurance companies. Condominium development has been restrained due to Washington state law. Past "gray areas" of consumer protections in the Washington Condominium Act, allowed homeowners' associations to sue developers and general contractors, architects and others for vague problems in condo construction.

SB 5334 amended the Washington Uniform Common Interest Ownership Act modifying the implied warranties of construction of a condominium. The amendments removed the requirement the condominiums be constructed in accordance with all laws, and replaced the requirement that building(s) be constructed in accordance with applicable building codes. The amendments require a condo owner or association to prove an alleged breach of warranty has or will cause physical damage, materially impairs the performance of some function, or presents an unreasonable safety risk. It also provides to association officers and board members the same immunity from liability as provided to officers and directors of nonprofit corporations.

## **SB 5383 – Enabling the development of tiny houses, tiny house villages or communities**

**Note:** This legislation does not legalize small structures used for shelter that do not provide for living, sleeping, eating, cooking, and sanitation in each unit. In the City of Lynnwood structures used for shelter that do not have the above provisions fall into the regulations of LMC 21.74 Temporary Outdoor Encampments, Extreme Weather Shelters and Housing for the Homeless. These shelters are grouped together and share communal facilities and are focused on serving homeless populations.

Legislation was passed to enable the development of tiny house villages or communities throughout the state. Previously, tiny houses were never clearly defined, whether they are considered recreational vehicles, mobile homes, or site-built structures.

New legislation defines “tiny houses” and “tiny houses with wheels” as ‘a dwelling to be used as permanent housing with permanent provisions for living, sleeping, eating, cooking, and sanitation built in accordance with state building code. With this definition, tiny houses can no longer be classified as a recreational vehicle and can now be regulated in their own category and used for permanent residences.

The bill expands the binding site plan section of the RCW to include tiny houses and tiny houses with wheels. This allows the use of a local binding site plan process to create tiny house communities. Additionally, a new section is added to the RCW that will allow cities or counties to adopt ordinances to regulate the creation of tiny house communities. It also prohibits municipalities from adopting ordinances that prevent tiny houses with wheels from being used as a primary residence within manufactured/mobile home communities.



*tinyhomebuilders.com*

# AFFORDABLE HOUSING STRATEGIES

Cities similar to Lynnwood are using several innovative programs and approaches to create more housing. The following list illustrates some resources local governments are using to promote affordability. The information is for illustrative purposes and does not include all possible programs.

## POLICIES

Policy tools provide the framework for all programs and regulations. These tools explore the community's needs and identify potential strategies, regulations, and programs that will meet those needs. Policy tools ensure that all actions around a topic are vetted and work in concert to meet an overall goal. Policy tools can also explore the impacts of potential strategies, regulations, and programs to mitigate unintended consequences.

### *Housing Action Plans*

Several jurisdictions have created housing action plans to provide a framework to implement strategies to increase housing opportunities at all income levels. Plans are unique to each jurisdiction's needs and overall goals. Plans often include recommendations regarding funding strategies, programming, partnerships and changes to regulations. These plans also identify the needs associated with beginning new programs which may include funding and staff resources.

#### Housing Action Plan Case Study: City of Seattle Housing Affordability and Livability Advisory Committee (HALA)

In 2014, the Seattle Mayor's Office, City Council, and community leaders, developed an agenda for increasing housing affordability and availability by creating HALA. The committee published a report titled Seattle Housing Affordability and Livability Agenda. The goals of the recommendations developed by HALA include creating 50,000 homes, including preservation and production of 20,000 net new affordable homes over the next decade.

Key recommendations include renewing and increasing the housing levy, maximize surplus and underutilized public property for affordable housing, creation of housing preservation property tax exemption, implementation of Mandatory Housing Affordability (MHA) requirement, improve city permitting and design review process, and modifying building codes to encourage affordable construction.

#### Housing Action Plan Case Study: City of Tacoma Affordable Housing Action Strategy

Tacoma created the Affordable Housing Action Strategy to address housing affordability. The Housing Market Policy Dashboard was created to reflect the potential impacts of market-based incentives for income-restricted affordable housing production.

The current strategy was developed during an intensive four-month process that included a series of community listening sessions, focus groups and other public feedback organized by the City and its community partners.

Key challenges identified:

- Accelerating housing market conditions
- A limited rental supply

- Households experiencing significant housing cost burdens
- Community members experiencing barriers accessing or staying in housing

Recommended strategic approaches to addressing these key challenges:

- The creation of new housing
- Keeping existing housing affordable and in good repair
- Helping community members stay in their current housing
- Reducing barriers for those who often encounter them

## **PARTNERSHIPS**

Partnership tools allow for the pooling of resources to meet common goals. Partnerships allow organizations to do what they do best and allow for the sharing of experiences and best practices.

### ***Interjurisdictional Cooperation***

Local jurisdictions can partner with each other to pool resources and stretch funding for their housing needs. Local governments create the capacity for housing through their comprehensive plans and zoning codes. They try to remove unnecessary regulations to allow for diverse housing choices at different income levels. The importance and significance of affordable housing is evident in various interjurisdictional efforts that are underway.

It is rare for local governments to actively create housing themselves. This is typically the role of for-profit and non-profit developers, and governmental housing authorities. It is difficult for local governments by themselves to provide financial resources directly to housing projects and their operations and maintenance. Housing market conditions and challenges to creating housing can be larger than any one community. Pooling resources through coordination or local housing funds can be more effective than each jurisdiction planning on its own.

#### Interjurisdictional Case Study: Puget Sound Regional Council (PSRC)

PSRC is a metropolitan planning agency comprised of more than 80 jurisdictions, including all four counties, cities and towns, ports, state and local transportation agencies and tribal governments within the Puget Sound region. PSRC is responsible for coordinating and developing policies focused on regional growth, transportation and economic development planning. Every decade, PSRC updates its long-range VISION planning document, the most recent of which is VISION 2040. The VISION 2050 plan is currently under development and is expected to be completed in 2020.

Among the topics that PSRC focuses on is housing. The Growth Management Act, Countywide Planning Policies and local comprehensive plans address housing availability and affordability. The VISION 2050 planning process will identify coordinated strategies, policies, and actions to ensure that housing needs are met in the Puget Sound region.

#### Interjurisdictional Cooperation Case Study: A Regional Coalition for Housing (ARCH)

ARCH was formed in 1992 through an interlocal agreement between several jurisdictions in Eastside King County. The goal of ARCH is to preserve and increase the supply of housing for low – and moderate-income households in the region. ARCH assists member governments by:

- Developing housing policies, strategies and programs
- Developing housing-related development regulations
- Coordinates the cities' financial support to groups creating affordable housing
- Assists people looking for affordable rental and ownership housing

### Interjurisdictional Cooperation Case Study: Alliance of Housing Affordability (AHA)

AHA was established in 2013 through an interlocal agreement between 13 Snohomish County jurisdictions, including the City of Lynnwood, Snohomish County, and the Housing Authority of Snohomish County (HASCO). AHA is guided by a joint board, which consists of elected and staff representatives of every member jurisdiction.

AHA provides support through the following methods:

- Analyze data: tracking market and demographic changes, affordable housing opportunities, and preparing housing profiles
- Technical support: supporting jurisdictions in development of new housing strategies and performance measures
- Education and outreach: education for elected officials regarding affordable housing needs, collaboration on housing policies and priorities, and education community and stakeholders about AHA mission
- Grants and financial: track funding opportunities, pursue new tools for tracking funding projects, maintains the AHA Housing Trust Fund

### Interjurisdictional Cooperation Case Study: Snohomish County Housing Affordability Regional Taskforce (HART)

HART is comprised of county, city, and tribal governments in Snohomish County. HART is collaboratively developing a five-year action plan that identifies priorities for county, city, and tribal governments. The goal of the plan is to accelerate jurisdiction's collective ability to meet the affordable housing needs and set a foundation for continued success through 2050. HART is a team of city, tribal, and county officials, supported by other community leaders. The focus of HART's work is on middle-income and affordable housing, subsidized housing, alternative housing models, and land use and redevelopment. (See Appendix D for more information.)

## **REGULATIONS**

Regulatory tools help implement strategies, policies, and programs. These tools aim to regulate and control the private sector. To establish these tools, research into the implementation, impacts, and required resources is needed to mitigate unintended consequences and ensure success. When tools aren't fully explored, the success of the tool may be compromised.

### ***Missing Middle Housing***

Missing Middle Housing types provide diverse options, such as duplexes, fourplexes, and bungalow courts, that fit seamlessly into low-rise walkable neighborhoods. These housing forms support walkability, locally-serving retail, and public transportation options. They provide a spectrum of affordability solutions addressing the mismatch between available housing stock, shifting demographics, and the growing demand for walkability.

These housing types are considered “missing” because they are typically not allowed in many communities. “Middle” relates to the spectrum between single-family homes and mid-rise to high-rise apartments. Lynnwood allows some Missing Middle types such as ADUs in single-family residential districts, and increased density near transit.

### Missing Middle Case Study: City of Olympia

The City of Olympia established a citizen workgroup that reviewed its zoning code and development fees to identify ways to enable missing middle housing types. The workgroup discussed a variety of issues, including off-street parking, building height and setbacks, water and sewer connection fees, impact fees, and maximum housing density.

Recommendations were to permit a greater variety of housing types in Olympia’s low-density residential zoning districts. Recommendations also included reducing regulations and fees to encourage a variety of housing types. Following nine months of debate the City Council unanimously adopted the following changes to the city’s low-density zoning districts:

- Relaxed requirements for ADUs (height, parking, size)
- Greater variety of housing types, especially near transit routes and commercial districts
- Additional requirements for multi-family housing removed (wider lot widths, wider setbacks, higher off-street parking requirements)
- Utility and impact fee requirements reduced
- While greater variety was approved, allowed density was not increased. In addition, if additional units are proposed, the minimum lot size increases.

### **Density Bonuses**

Density bonuses are a zoning tool that allows developers to increase densities, build more housing units, or more floor space than normally allowed, in exchange for provision of a defined public benefit. Benefits can include a specified number or percentage of affordable units included in the development. An affordable housing density bonus program can be designed to allow developers to contribute to a housing fund in lieu of building the affordable units. Densities are allowed to increase above maximums in consideration for affordable units.

### Density Bonus Case Study: Metro Everett

The City of Everett adopted language into a subarea known as Metro Everett. The area is in proximity to transit, future light rail, and employment areas. To provide incentives for affordable housing within this location, Everett utilized a height incentive to provide on- or off-site affordable housing; and provide a fee-in-lieu-of program for additional flexibility.

<b>METRO EVERETT DENSITY BONUS</b>	
<b>Affordable Housing Benefit Provided</b>	<b>Height Incentive Offered</b>
Provided On- or Off-Site	<b>5:1</b> 5 sq. ft. additional floor area for each 1 sq. ft. of affordable housing
Fee-In-Lieu-Of	<b>2:1</b> 2 sq. ft. additional floor area for each 1 sq. ft. of affordable housing

### Density Bonus Case Study: Lynnwood City Center

A density bonus program is established for the City Center area. The density bonus program provides additional units and square footage for building LEED, providing structured parking, constructing plaza areas, and providing specific uses. The City Center density bonus program does not provide additional square footage for providing affordable housing.

JLL reviewed and made recommendations on policies and regulations within the City Center. JLL recommended the City suspend their density bonus program because increased density provided a lack of value to developers and their projects. To date, no developer has used the City Center Density Bonus program.

## **Parking Reductions**

Reducing parking standards can prevent excessive parking requirements that add to the cost of housing. Jurisdictions can better match residential parking standards with parking demand by studying neighborhood and resident characteristics, transit access and mobility. Once parking standards and parking needs are balanced, maximum parking standards may be enacted to eliminate excessive parking.

### Parking Reductions Case Study: City of Everett

The City of Everett recently adopted revised standards on- off-street parking requirements. The City adopted standards that utilize reduction factors city-wide based on residential, transportation, and development character. For example, a development building affordable housing for extremely low-income (30 percent AMI or below) has a reduction factor of 0.50. This means if 20 spaces were required, the reduction factor allows only 10 spaces to be built (20 space x 0.50 reduction = 10 spaces). Everett also allows reduction factors for frequent transit routes, Transportation Demand Management, and shared parking in a mixed-use building.

### Parking Reductions Case Study: Lynnwood City Center

In the City Center the number of required parking stalls are reduced from citywide requirements. Additionally, developments in the City Center have parking stall maximums. This means parking facilities cannot exceed a specific number of parking stalls.

Reductions from the parking capacity requirement are provided for all residential development regardless of affordability. The goal is to support a walkable, urban environment. This reduction has been utilized by developers in the City Center. Developers have expressed interest in applying this reduction for multiple-family residential development citywide.

The Community Development Director has the authority to allow additional parking if adequate demand is shown.

<b>CITY OF LYNNWOOD MULTIPLE-FAMILY PARKING REQUIREMENTS</b>		
<b>Area</b>	<b>Parking Minimum</b>	<b>Parking Maximum</b>
Residential in City Center zones	0.5 stalls per unit	3 stalls per unit
Multiple-Family in all other zones	<ul style="list-style-type: none"> <li>• Two per dwelling unit with two or more bedrooms</li> <li>• 1.75 per dwelling unit with one bedroom</li> <li>• 1.5 per studio or efficiency unit over 500 SF</li> <li>• 1.25 per studio or efficiency unit 500 SF or less</li> </ul>	None
Senior Housing in City Center Zones	0.25 stalls per unit	1 stall per unit
Senior Housing in all other zones	<ul style="list-style-type: none"> <li>• 1.75 per dwelling unit with two or more bedrooms</li> <li>• 1.5 per dwelling unit with one bedroom</li> <li>• 1.25 per studio or efficiency unit over 500 SF</li> <li>• 1 per studio or efficiency unit 500 SF or less</li> </ul>	None

## ***Inclusionary Zoning***

Inclusionary zoning is a tool that stipulates that new residential development in certain zones include some proportion or number of affordable housing units or meet some type of alternative compliance. To ensure that costs are offset, jurisdictions often increase the development rights, such as density, of a proposed project.

Inclusionary zoning is often combined with density bonuses as described on page 20 of this document. Jurisdictions should craft inclusionary zoning policies that best reflect the needs of their residents, paying close attention to details relating to program management and monitoring. In the state of Washington all units developed through an inclusionary zoning program must remain affordable for at least 50 years (RCW 36.70A.540).

### Inclusionary Zoning Case Study: City of Seattle Mandatory Housing Affordability (MHA)

In March 2019, the City of Seattle adopted citywide MHA legislation. This legislation ensures that new commercial and multiple-family residential development contributes to affordable housing. MHA contribution requirements vary based on a property's location and scale of zoning. Developers have two options to comply with MHA requirements:

- Payment Option: Make a payment to the City's Office of Housing as a part of the permitting process that will support affordable housing development throughout Seattle.
- Performance Option: Include rent-restricted units in the proposed development.

## **PROGRAMS**

Programming tools often provide direct services and require significant staffing and resources to operate. These tools are often financed through federal funds and require strict compliance with federal regulations.

### ***Housing Choice Voucher***

The Housing Choice Voucher program (commonly known as "Section 8") is a rent subsidy program funded by the Department of Housing and Urban Development (HUD) and administered by the Housing Authority of Snohomish County (HASCO). The program includes tenant-based (commonly called housing choice) vouchers and project-based vouchers. A total of 1,225 tenant-based vouchers are used in Lynnwood.

**1,225 Housing Choice Vouchers in Lynnwood**

The housing choice voucher program assists low-income families with their rental payments, and enables such individuals to obtain safe, decent, and sanitary housing. Tenant-based vouchers are awarded to households and can help pay for rent in any privately owned housing that accepts vouchers as payment. Households using tenant-based vouchers keep their voucher when they move.

Project-based vouchers are similar, with a designated housing unit, and only apply to a household during their tenancy at that unit. Households using a project-based voucher do not get to choose their unit and cannot keep the voucher if they move.

Under the Housing Choice Voucher program, participants pay 30 percent of the rent (up to 40 percent with a special dispensation) rent directly to the owner/agent of appropriately priced units. HASCO pays the difference between what the resident pays and the total Contract Rent, by making a payment directly to the owner on behalf of the resident. Changing household circumstances or rising rents may, over time,

result in households paying considerably more than 40 percent of their income to rent. HASCO’s portion of the rent remains fixed.

HOUSEHOLD SIZE	MAXIMUM INCOME TO QUALIFY
1	\$38,750
2	\$44,300
3	\$49,950
4	\$55,350
5	\$59,800
6	\$64,250
7	\$68,650
8+	\$73,100

**Community Development Block Grant (CDBG) Program**

The CDBG program works to ensure decent affordable housing, provide services to vulnerable individuals, and create jobs through the expansion and retention of businesses. CDBG is an important tool for helping local governments tackle serious challenges facing their communities.

The annual CDBG appropriation is allocated between States, counties and local jurisdictions called “non-entitlement” and “entitlement” communities respectively. Entitlement communities are comprised of central cities of Metropolitan Statistical Areas (MSAs); metropolitan cities with populations of at least 50,000; and qualified urban counties with a population of 200,000 or more (excluding the populations of entitlement cities).

Lynnwood’s current population is 38,260, and is currently ineligible to directly receive CDBG funding. When population reaches 50,000 the City will be eligible to receive CDBG funding and grants to implement policies and programs related to housing. States distribute CDBG funds to non-entitlement localities not qualified as entitlement communities. Snohomish County’s Office of Housing and Community Development administers CDBG funds for the City of Lynnwood through an interlocal agreement.

**HOME Investment Partnership Program**

The HOME Investment Partnerships Program (HOME) provides formula grants to states and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. It is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

The program was designed to reinforce important values and principles of community development:

- HOME’s flexibility empowers people and communities to design and implement strategies tailored to their own needs and priorities.
- HOME’s emphasis on consolidated planning expands and strengthens partnerships among all levels of government and the private sector in the development of affordable housing.
- HOME’s technical assistance activities and set-aside for qualified community-based nonprofit housing groups builds the capacity of these partners.
- HOME’s requirement that Participating Jurisdictions (PJs) match 25 cents of every dollar in program funds mobilizes community resources in support of affordable housing.

## **Public Land for Affordable Housing**

Local governments, transit agencies and special districts may own property that is no longer useful for its original purpose, or is ideally situated for shared public and private uses. The agency may sell surplus property, prioritizing the development of affordable housing.

Cities or agencies can help assemble adjacent vacant or underutilized properties from private owners to sell as a package for larger developments. Fragmented individual properties may be collected to sell to individuals, but developers are generally interested in larger properties. By collecting the land under one owner, the city or agency can resolve confusing ownership issues and remove land encumbrances that would add legal costs for the developer or deter redevelopment altogether.

The Municipal Research and Services Center of Washington notes that the state constitution generally restricts cities and counties from giving property to private individuals or from offering it for less than fair market value (Article VIII, 7). However, many cities and counties can donate or sell surplus property for less than market value if the property would be used to directly benefit the “poor and infirm.” Alternately, for publicly owned land in neighborhoods with increasing market demand or recent public investment, jurisdictions can sell land at market price to affordable housing developers before increases in value are realized in the price of the land.

### Case Study: Sound Transit Transit Oriented Development

Transit construction requires Sound Transit to purchase land for building stations, installing track, and for staging. When completed the agency no longer needs some of this land. In May 2018, the Sound Transit Board officially recommitted the agency to facilitate TOD on this surplus property. The TOD policy includes a priority to offer surplus property for the development of affordable housing. Washington’s State Statute RCW 81.112.350 requires Sound Transit to offer 80 percent of its surplus property that is suitable for housing to qualified entities to develop affordable to families at 80 percent or less of area median income or less.

## **Housing Authorities**

Housing authorities are independently managed non-profits which work with local governments and agencies to develop and provide long-term housing. Housing authorities follow federal regulations and receive subsidies from HUD.

### Housing Authority Case Study: Housing Authority of Snohomish County (HASCO)

HASCO was established in 1971 to provide affordable housing, enhance quality of life, and build safer and stronger communities. HASCO has helped a significant number of people in its 40 year history.

Guided by a six-member board of commissioners and staffed by 73, the Housing Authority owns and manages more than 2,000 units of subsidized and affordable housing. The Housing Authority also directs dozens of innovative programs that enhance the quality of people’s lives and creates a more strongly knit community.

HASCO owns and operates several affordable housing developments in the City of Lynnwood.

### Housing Authority Case Study: Everett Housing Authority (EHA)

The agency was created by an action of Everett City Council, in order to address “a shortage of safe and sanitary dwelling accommodations in said City of Everett available to persons of

low income at rentals they can afford.” Up to this day, EHA has remained intently focused on expanding the supply of affordable housing for low income persons residing within their service area.

EHA owns and operates several affordable senior housing developments in the City of Lynnwood.

DRAFT

# CONCLUSION

As demonstrated by this paper, there is no one path to increase access to and production of affordable housing for all income levels. There are several tools municipalities can use to work toward improving access to affordable housing. The adoption of new tools must be fully researched and carefully crafted to make sure programs are successful and without unintended consequences.

Further exploration into data and engagement with the community is needed to determine specific needs. Strategies then need to be developed to respond to the needs of Lynnwood's current and future residents. The strategies created will then drive the creation of policies, regulations and programs that aim to increase access to and production of affordable housing for all income levels.

## **Next Steps**

Additionally, potential policies, regulations, programs, and incentives must be examined before adoption to determine their potential benefits and implications. A full assessment of needed resources, including funding and staffing, must also be examined to fully understand what is needed for successful implementation of future strategies. Understanding purpose, parameters, and outcomes will guide the City toward the desired results.

The following provides suggestions for Council consideration to move forward:

- Consider passing a resolution to participate in SB 1406 to receive housing funds.
- Explore grant options, such as the HB 1923, to create a Housing Action Plan.
- Review potential programs and policies and decide what will work best for the City of Lynnwood.
- Work collaboratively with the community and partners to draft programs and policies to meet Lynnwood's needs.
- When applicable, amend the LMC to implement programs, terms and conditions.
- Establish and resource implementation, management and administration.

These recommendations should be explored for further policy action and implementation by Council.

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### Glossary

**Accessory Dwelling Unit (ADU):** a small, self-contained residential unit attached to a single-family home. Sometimes called “mother-in-law apartment” or “granny flat.”

**Affirmative Marketing:** advertising and community outreach designed to reach people who are least likely to apply for housing as a method to reduce housing discrimination.

**Affordable Homes/Housing:** households that spend less than 30 percent of their gross monthly income on housing costs.

**Area Median Income (AMI):** the household income for the median – or middle – household in a region. It is a criteria used by the U.S. Department of Housing and Urban Development (HUD) and other agencies to determine what kinds of services households may qualify for. HUD releases annual median income levels for different household sizes in Snohomish County. In Snohomish County, the 2019 AMI for a household of four is \$110,667.

**Community Land Trust:** a nonprofit organization that develops and stewards affordable housing and other assets to maintain affordability, economic diversity and access to local services for a community.

**Cooperative Housing:** a shared ownership model for multifamily housing.

**Cost Burden:** households who pay more than 30 percent of their gross monthly income on housing costs.

**Detached Accessory Dwelling Unit (DADU):** a small, separate, and self-contained residential unit on the same property as a single-family home. Sometimes called “backyard cottage.”

**Displacement:** a household moving due to factors beyond their control.

**Environmental Impact Statement:** a document required by federal and state law that describes the positive and negative environmental effects of a proposed action.

**Extremely Low Income:** households earning 30 percent or less of area median income. In Snohomish County, 30 percent of AMI for a household of four is \$33,200

**Gentrification:** an influx of capital and high-income, higher-educated residents into a neighborhood with historical segregation and/or disinvestment. Impacts commonly associated with gentrification are community-wide displacement and a loss of social fabric for low-income communities of color.

**High-Capacity Transit:** a transit mode that operates principally on exclusive rights-of-way which provides a substantially higher level of passenger capacity, speed, and service frequency than traditional public transportation systems operating principally in general purpose roadways.

**Impact Fee:** a fee imposed by a local government on a new or proposed development project to pay for all or a portion of the costs of providing services to the new development.

**Inclusionary Zoning:** a wide range of policies that link the production of affordable housing to the production of market-rate housing. Most programs provide incentives, such as density bonuses, in exchange for a certain percentage of units to be affordable for low or moderate-income households.

**Infill Development:** construction on vacant or under-utilized properties in an urban area.

**Low Income:** households earning 80 percent or less of area median income. In Snohomish County, 80 percent of AMI for a household of four is \$88,250.

**Micro Housing:** a small, self-contained, single-occupancy apartment. A somewhat ambiguous term, it could include a small studio apartment or a single-room occupancy unit with communal kitchen and common room areas.

**Multifamily Tax Exemption (MFTE):** a program providing a term-limited property tax exemption for the construction of new affordable housing. See RCW 84.14 for more information.

**Naturally Occurring Affordable Housing:** housing that is affordable without direct government subsidy or investment.

**Opportunity Zones:** a community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban

and rural communities nationwide. A low-income community is one with a poverty rate of at least 20 percent and low-income is a household earning up to 80 percent AMI. Snohomish County Opportunity Zones can be found on the state Department of Commerce website (<https://www.commerce.wa.gov/>).

**Puget Sound Regional Council (PSRC) Vision 2050:** a regional growth strategy led by the PSRC for the four county region (King, Kitsap, Pierce, and Snohomish Counties.) See <https://www.psrc.org/vision> for more information.

**Property Value Discount Legislation:** policies that require a department of assessments' valuations to reflect the impact of affordability covenants and other restrictions on a property's assessed value as a method to reduce property taxes for affordable housing.

**Severe Cost Burden:** households who pay more than 50 percent of their gross monthly income on housing costs.

**Source of Income Discrimination Protection:** policies that make it illegal for property owners to discriminate against tenants and would-be tenants based on their source of income (such as Federal Housing Choice Vouchers.) See RCW 59.18.255 for Washington State's law on source of income discrimination.

**Tax Increment Financing:** a public financing method of diverting future property tax revenue increases that result from a specific public improvement project to pay for the project.

**Transfer of Development Rights (TDR):** a voluntary, incentive-based program for controlling land use. Developers pay a fee to construct housing denser than what standard zoning would allow, which is then transferred to certain landowners in exchange for signing a contract limiting construction on their property.

**Transit-Oriented Development (TOD):** construction of new housing with convenient access to transit.

**Urban Growth Area (UGA):** where most future growth and development is to occur to limit sprawl, enhance open space, protect Rural Areas and Natural Resource Lands, and more efficiently use human services, transportation, and utilities. See RCW 36.70A.110 for more information.

**Very Low Income:** households earning 50 percent or less of area median income. In Snohomish County, 50 percent of AMI for a household of four is \$55,350.

## APPENDIX B: City of Lynnwood Housing Policies and Recommendations

CITY OF LYNNWOOD HOUSING POLICIES AND RECOMMENDATIONS		
Document	Housing Policy	Category
Growth Management Act	RCW 36.70A.020(4) <b>Housing.</b> Encourage the availability of affordable housing to all economic segments of the population of this state, promote a variety of residential densities and housing types and encourage preservation of existing housing stock.	affordable housing
Comprehensive Plan (2015)	<b>Economic Development Strategic Theme: Focus on Housing &amp; Amenities That Attract New Workers &amp; Residents:</b> While many Lynnwood residents find housing difficult to afford, housing is relatively affordable in Lynnwood when compared to the region. New housing projects can bring additional affordable units to Lynnwood, but developing mixed-income communities and attracting new residents that work in a diverse range of industries is the best long-term strategy for increasing prosperity for Lynnwood residents.	affordable housing
Comprehensive Plan (2015)	<b>Policy H-21.</b> Encourage the development of affordable housing for all income levels.	affordable housing
Comprehensive Plan (2015)	<b>Policy H-23.</b> Consider the creation of new affordable housing development opportunities and/or a home maintenance and rehabilitation program through inter-jurisdictional programs/initiatives, or other cooperative effort, consistent with Countywide Planning Policy HO-4.	affordable housing
Comprehensive Plan (2015)	<b>Policy H-25.</b> Work closely with the Snohomish County Housing Authority (HASCO), the Alliance for Housing Affordability (AHA), and other agencies to provide affordable housing and related information on the availability of housing and housing assistance programs.	affordable housing
Comprehensive Plan (2015)	<b>Policy H-30.</b> The City shall facilitate affordable home ownership and rental opportunities by promoting an increased supply of lower-cost housing types, such as small lots, townhouses, multiplexes, and mixed-use housing.	affordable housing
Comprehensive Plan (2015)	<b>Policy H-32.</b> The City shall investigate methods of ensuring that redevelopment will not result in a net loss of affordable housing; i.e. every unit of affordable housing lost to redevelopment is replaced with like, affordable housing, suitable for and in a location beneficial to the same demographics as those displaced by redevelopment. To this end, the City shall consider requirements for the inclusion of low-income housing or fees in lieu of providing low-income housing.	affordable housing
	<b>Policy LU-30.</b> Review applications for Single Family 2 (SF-2) planned unit developments using the provisions of Title 21 LMC, and the following policy objectives.	
	A. The site has easy access to retail and other commercial services, particularly stores selling groceries.	

## CITY OF LYNNWOOD HOUSING POLICIES AND RECOMMENDATIONS

Document	Housing Policy	Category
Comprehensive Plan (2015)	B. The site is adjacent to or has easy access to community facilities.	protect single family
	C. The development potential of the site is not severely limited by wetlands, streams, steep slopes or other development constraints.	
	D. The site provides a transition between lower density single-family development and other uses.	
	E. Roads that connect the site to arterials and local shopping areas are appropriately developed to City standards.	
	F. The surrounding street network provides alternative access routes to/from the development and employment and commercial areas in the City.	
	G. The development proposed for the site would include a site plan that exhibits a well-designed arrangement of dwellings and improvements and which may include:	
	i. Recreational amenities;	
	ii. Proposed building locations and separation and screening between buildings so that residents may enjoy privacy in their homes;	
	iii. Preservation or enhancement of natural areas, substantial stands of trees and/or other natural features;	
	iv. Onsite common and usable open space.	
	H. The site will be developed with the infrastructure improvements to properly mitigate development-related impacts.	
I. The site is located in an area that is designated for development compatible with SF-2 uses and density.		
J. The site and proposed development comply with or promote other goals, objectives or policies in the Comprehensive Plan.		
Comprehensive Plan (2015)	<b>Policy LU-32.</b> No single-family residential property (SF) shall be rezoned to any form of multi-family (MF) use; except in rare instances, and then only upon a showing of clear and convincing evidence of need.	protect single family
Comprehensive Plan (2015)	<b>Policy LU-50.</b> Residential areas shall be protected from encroachment by developments that would diminish the City’s capacity to accommodate population growth targets specified by the Countywide Planning Policies.	protect single family
Comprehensive Plan (2015)	Economic Development Goal 4: Housing: Encourage the availability of affordable housing to all economic segments of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock.	protect single family
Comprehensive Plan (2015)	<b>Policy H-14.</b> Provide for diverse, safe, and decent housing opportunities that meet local housing needs without encroachment into established single-family neighborhoods.	protect single family

## CITY OF LYNNWOOD HOUSING POLICIES AND RECOMMENDATIONS

Document	Housing Policy	Category
Comprehensive Plan (2015)	<b>Policy LU-25.</b> Innovative-housing regulations should be considered to promote housing infill, diversity and affordability. Such regulations may include small-lot subdivisions, zero-lot-line housing, duplexes, and accessory dwellings.	infill housing
Comprehensive Plan (2015)	<b>Policy LU-27.</b> Development regulations for the Regional Growth Center should allow for the greatest residential density and building height allowed in Lynnwood. Maximum residential density and building height would be especially appropriate for development that includes affordable housing or that locates residences above street-level retail.	regional growth center
Comprehensive Plan (2015)	<b>Policy LU-29.</b> Properties designated by the Future Land Use Map as appropriate for multifamily residential development should exhibit one or more of the following characteristics:	multi-family
	A. The property is located along an arterial roadway and transit corridor.	
	B. The property is located near commercial, service, community or employment centers.	
	C. The property is of adequate size and appropriate shape to accommodate the desired density while also providing open space, off-street parking and landscaping, and onsite recreation area.	
	D. Multifamily development upon the property will result in a transition between lower densities residential and non-residential uses.	
	E. The property is located in an area already developed with significant amounts of multifamily developments or non-residential uses.	
	F. Multifamily development upon the property will not negatively impact adjacent single-family property.	
	G. Multifamily development upon the property can be served by public facilities, utilities and services, consistent with adopted plans and levels of service.	
Comprehensive Plan (2015)	<b>Policy LU-28.</b> With acknowledgement of the unique and important form of housing provided by mobile home and manufactured home parks, land use regulations shall allow for the continued viability, maintenance and upgrading of existing parks.	mobile homes
	<b>Policy H-9.</b> Recognize the role of mobile and manufactured housing as an important component of Lynnwood’s housing stock by creating a more stable planning and zoning environment for their continuation and by providing flexible and effective development regulations that will allow the upgrading and modernizing of older mobile home parks.	mobile homes
Comprehensive Plan (2015)	<b>Policy H-26.</b> Encourage the development of affordable housing for senior citizens to include, as a viable alternative, mobile and/or manufactured home parks.	mobile homes

## CITY OF LYNNWOOD HOUSING POLICIES AND RECOMMENDATIONS

Document	Housing Policy	Category
Comprehensive Plan (2015)	<b>Policy H-27.</b> Encourage the preservation mobile home parks within residential areas. When closure of an existing park is unavoidable, encourage mitigation of adverse impacts such as displacement of low-income residents.	mobile homes
Comprehensive Plan (2015)	<b>Policy H-28.</b> The City shall create development regulations to encourage the preservation of mobile home parks. Development regulations shall allow a variety of uses while fulfilling this policy.	mobile homes
Comprehensive Plan (2015)	<b>Policy H-29.</b> Whether to allow the rezoning of mobile home parks to other zones should involve a balancing of the property rights of mobile home parks owners and the rights of owners of mobile homes who are renting space in mobile home parks. Some of the factors to consider are:	mobile homes
	A. The cost to the mobile home park owner of maintaining the property as a mobile home park or related use;	
	B. The cost to the mobile home park tenant of the closure of a mobile home park;	
	C. Whether the uses allowed under the proposed rezone are compatible with the existing neighborhood;	
	D. Whether there are available spaces in other mobile home parks in the vicinity that can accommodate relocating the mobile home park tenants that would be displaced by the closure of the mobile home park; and	
E. Whether there is relocation or financial assistance for the parks' tenants.		
Comprehensive Plan (2015)	<b>Policy H-31.</b> The City shall support the development and preservation of mobile and manufactured home parks by:	mobile homes
	A. Utilizing a comprehensive plan designation and development regulations that will encourage the long-term preservation of mobile and manufactured parks.	
	B. Investigating the development of site size and buffering standards for mobile and manufactured parks that permit development in all medium and high density residential zones and conditional development in low density residential zones.	
Comprehensive Plan (2015)	<b>Policy LU-44.</b> Allow a range of compatible residential densities and neighborhood commercial land uses within or near Lynnwood's neighborhoods. Complementary uses include places of worship, daycare, and similar institutional uses that do not cause a substantial impact to adjoining residences. Limited commercial land uses may be allowed where residences are more than convenient walking distance (about one-half mile) from other shopping areas, and may include small retail stores, professional and personal services, and eating and drinking establishments.	transitions

## CITY OF LYNNWOOD HOUSING POLICIES AND RECOMMENDATIONS

Document	Housing Policy	Category
Hwy 99 Sub-Area Plan	<p>Goal: Support Housing In order to “protect single family neighborhoods,” the plan includes recommendations to adopt design guidelines to help make the corridor livable for new and existing residents. The design guidelines will help ensure that new development:</p> <ul style="list-style-type: none"> <li>• Integrates well with near-by residences,</li> <li>• Provides better pedestrian connections between residences,</li> <li>• Provides transit stops and neighborhood services,</li> <li>• Enhances open spaces and amenities, and</li> <li>• Makes conditions safer near the corridor.</li> </ul> <p>The plan also “encourages mixed-use development at key nodes” by changing the zoning at these nodes and increasing residential capacity, as discussed above.</p>	transitions
Comprehensive Plan (2015)	<b>Economic Development Strategy 3.2 Housing:</b> Encourage the development of a range of housing types to ensure balanced housing options within the City of Lynnwood.	zoning challenges
Comprehensive Plan (2015)	<b>Policy H-19.</b> Continue to update the Zoning Code (Title 21 LMC) to remove unnecessary development obstacles and allow greater innovation in design and construction.	zoning challenges
Comprehensive Plan (2015)	<b>Economic Development Action 3.2.1</b> Conduct targeted outreach to developers and brokers to facilitate high-quality and innovative mixed-use and residential development across a range of affordability levels.	mixed-use
Comprehensive Plan (2015)	<b>Economic Development Action 3.2.4</b> Continue to support and publicize Lynnwood’s 8-12 year tax abatement program for high-quality and innovative mixed- use and residential development in City Center; expand the program to other areas in the City such as Highway 99 and the Transition Area.	mixed-use
Comprehensive Plan (2015)	<b>Policy H-15.</b> Within the College District and areas where Transit-Oriented Development (TOD) is desired, apply development regulations that allow alternative housing types and mixed-use development.	TOD
Comprehensive Plan (2015)	<b>Policy H-17.</b> At appropriate locations within the College District, utilize development regulations and redevelopment incentives to promote multifamily and mixed-use development.	TOD
Comprehensive Plan (2015)	<b>Economic Development Action 3.2.3</b> Partner with Neighborhoods to organize property owners to foster enhancements and facilitate code compliance, housing and amenities.	other
Comprehensive Plan (2015)	<b>Economic Development Action 3.2.5</b> Assess and implement methods of requiring new residential development to incorporate specific amenities and to designate specific amounts of open space for common neighborhood use.	other

## CITY OF LYNNWOOD HOUSING POLICIES AND RECOMMENDATIONS

Document	Housing Policy	Category
Comprehensive Plan (2015)	<b>Policy H-10.</b> Provide opportunities for housing that is responsive to market needs within our region, including both ownership and rental opportunities.	other
Comprehensive Plan (2015)	<b>Policy H-18.</b> Allow developers the use of the most efficient state-of-the-art design and development tools to produce new homes and neighborhoods that are consistent with regional housing market trends and sustainable building practices.	other
Comprehensive Plan (2015)	<b>Policy H-20.</b> As state law and finances permit, consider limited use of incentives to encourage construction or preservation of certain housing types in specified locations, such as areas with good access to transit and other public services.	other
Comprehensive Plan (2015)	<b>Policy H-22.</b> Consider the use of grants, private lenders, and other available funding sources to establish and carry out a housing subsidies program, as necessary.	other
Comprehensive Plan (2015)	<b>Policy H-24.</b> In collaboration with other agencies/organizations, develop public education and information materials to enhance awareness of available housing programs and related resources.	other



## Featured Tool: Multifamily Tax Exemption\*

A state law (RCW 84.14) helps cities attract residential development. Cities may exempt multifamily housing from property taxes in urban centers with insufficient residential opportunities. The city defines a residential target area or areas within an urban center; approved project sites are exempt from *ad valorem* property taxation on the residential improvement value for a period of eight or 12 years. The 12-year exemption requires a minimum level of affordable housing to be included in the development (at least 20% of the units or 100% if the building is solely owner-occupied). The eight-year exemption leaves the public benefit requirement—in both type and size—to the jurisdiction’s discretion. The eight-year exemption carries no affordable housing requirement. Cities must pass an enabling ordinance to enact the MFTE and to allow applications for the exemption.

### **What issue does a multifamily tax exemption address?**

This tool encourages multifamily development and redevelopment in compact mixed-use districts (urban centers) where housing and affordable housing options are deficient. Through the multifamily tax exemption, a jurisdiction can incentivize dense and diverse housing options in urban centers lacking in housing choices or affordable units. MFTE can also apply to rehabilitating existing properties and redeveloping vacant or underused properties.

### **Where is the multifamily tax exemption most applicable?**

Cities planning under the Growth Management Act (RCW 36.70a) that have designated urban centers with a deficiency of housing opportunities are eligible to implement this tool. In King, Pierce, Snohomish and Kitsap counties, cities must have at least 5,000 in population. Cities must designate eligible areas that contain urban centers. Urban centers—in the context of the MFTE-enabling legislation—have a particular meaning:

“...a compact identifiable district where urban residents may obtain a variety of products and services. An urban center must contain:

- (a) Several existing or previous, or both, business establishments that may include but are not limited to shops, offices, banks, restaurants, governmental agencies;
- (b) Adequate public facilities including streets, sidewalks, lighting, transit, domestic water, and sanitary sewer systems; and
- (c) A mixture of uses and activities that may include housing, recreation, and cultural activities in association with either commercial or office, or both, use.” (RCW 84.14.010)

Based on the state law, designated districts are commercial or business districts with some mix of uses. Such areas may exist in downtowns, commercial corridors, or other intensively developed neighborhoods. Examples of designated districts throughout the central Puget Sound region are listed in the model policies, regulations and other information section below.

MFTEs have been effective in producing multifamily units in the region’s larger cities. Since its inception, the MFTE law has been expanded to include smaller cities. The effectiveness of this tool in larger jurisdictions could make it an attractive tool for smaller and moderate-sized cities that meet the population threshold.

### **Tool Profile**

#### **Focus Areas**

- [Urban Centers](#)
- [Transit Oriented Development](#)
- [Expensive Housing Markets](#)

#### **Housing Types**

- Multifamily
- Ownership
- Rental
- Market Rate
- Subsidized

#### **Affordability Level**

- 80 to 120% AMI
- Less than 80% AMI

#### **Goal**

- Affordability

*\* Tool considered very effective for producing units at less than 80% AMI.*

### **Case Studies**

- [Burien Multifamily Tax Exemption](#)
- [Lynnwood Multifamily Tax Exemption](#)
- [Tacoma Multifamily Tax Exemption](#)

Multifamily tax exemptions can encourage relatively dense attached flats or townhomes, in mixed-use projects or residential complexes, which means this tool is particularly useful in urban centers and transit-oriented developments. Dense development is also economically efficient in expensive housing markets, and can reduce housing costs.

### ***What do I need to know about using or developing a multifamily tax exemption?***

The MFTE implementation process is guided by state law in RCW 84.14. In general, the process includes preparing a resolution of intent to adopt a designated area, holding a public hearing and adopting and implementing standards and guidelines to be utilized in considering applications for the MFTE. Among other criteria, the designated area must lack “sufficient available, desirable, and convenient residential housing, including affordable housing, to meet the needs of the public who would be likely to live in the urban center, if the affordable, desirable, attractive, and livable places to live were available” (RCW 84.14.040). A property owner applying for an MFTE must meet the criteria (per RCW 84.14.030) summarized here:

- The new or rehabilitated multiple-unit housing must be located in city-designated residential target areas within the urban center.
- The project must meet local government requirements for height, density, public benefit features, number and size of proposed development, parking, income limits for occupancy, limits on rents or sale prices, and other adopted requirements.
- At least 50% of the space in the new, converted or rehabilitated multiple-unit housing must be for permanent residential occupancy. Existing occupied multifamily developments must also provide a minimum of four additional multifamily units.
- New construction multifamily housing and rehabilitation improvements must be completed within three years from approval.
- The applicant must enter into a contract with the city containing terms and conditions satisfactory to the local government.

The exemption is recorded with the County Assessor. Developments that violate the terms of the exemption are required to pay back the exempted tax amounts, plus interest, and a penalty fee.

Cities considering the program need to weigh the temporary (8-12 years) loss of tax revenue against the potential attraction of new investment to targeted areas. MFTE projects could be catalysts for other private investment if they help prove an area is desirable. Pairing the MFTE with other tools that affect density and cost reductions may help the city achieve higher density and affordable housing in designated mixed-use and commercial areas. These tools include:

#### **Featured Tools:**

- [Density Bonuses](#)
- [Transit Oriented Development Overlays](#)
- [Parking Reductions](#)

#### **Other Tools:**

- [Mixed-Use Development](#)
- [No Maximum Densities](#)
- [Planned Action EIS](#) (see in particular the SEPA residential and mixed-use exemption option)

## **Creating a Multifamily Tax Exemption Program**

A typical planning process (gathering information, conducting public outreach and considering ordinances), together with the specific requirements of state law, will guide the development of an MFTE program:

**Determine Residential Target Areas.** Cities will need to consider the state law’s “urban center” definition which addresses existing commercial businesses, mixed uses and infrastructure.

**Analysis.** To support the urban center and residential target area designations, a jurisdiction should map or collect data on current uses, services and capital facilities. The data and analysis should demonstrate that the area lacks sufficient residential housing, including affordable housing. Estimating the tax revenue and other cost-benefit implications of the MFTE program can help to determine whether the program would help achieve housing goals. For example, prior to adopting an MFTE ordinance, the City of Lynnwood prepared an analysis of tax revenue that would be foregone should the ordinance be adopted. In terms of other cost-benefits, jurisdictions can calculate the short-term construction and sales tax revenues and employment gains that stem from the development. (See case studies below.)

**Conduct Public Outreach.** The MFTE statute suggests that a jurisdiction considering an MFTE program issue a resolution of intention to designate an urban center and residential target area(s). The resolution should also identify the time and place of a hearing. Cities must hold a public hearing on the proposed MFTE ordinance and follow notification schedules listed in the statute. While crafting the ordinance, cities will also want to involve stakeholders, including developers of multifamily and condominium housing, affordable housing developers and advocacy groups, and major land owners and businesses in the residential target areas. See [Citizen Education and Outreach](#) for strategies to involve the public and stakeholders.

**Determine Standards.** The state affords jurisdictions wide latitude to design their MFTE laws to meet local planning goals. Proposals must meet local zoning and development standards and any affordability and occupancy criteria the jurisdiction sets. Based on the intent of the MFTE, key decisions to shape the ordinance include:

- **Encouraging more versus less participation from developers.** The threshold number of units to qualify for the exemption and public benefit requirements could influence the level of participation by developers. A low threshold and limited public benefit requirements, for example, might make the program more accessible to developers, but yield a smaller return in public benefit for foregone revenue. A high threshold and demanding public benefit requirement, however, might make the program unattractive to developers. Striking a balance between requirements, goals and attractiveness is essential to a successful MFTE program.
- **Encouraging affordable housing versus market-rate housing.** RCW 84.14 allows cities to provide a bonus for affordable housing provision by allowing 12 years of tax exemption, versus the eight years offered for market-rate developments. Cities could further encourage developers to opt for the 12-year exemption by setting a threshold number of units or public benefit to attract development. Offering other incentives (e.g., [density bonuses](#), [flexible single family development regulations](#)) along with the MFTE can strengthen interest in affordable development in the city.
- **Encouraging more rental or ownership housing.** The law provides incentives for affordable multifamily rental housing where the whole development is eligible for the tax exemption if at least 20% of the units are affordable to low- and moderate-income households. To receive the 12-year exemption, buildings intended to be entirely owner-occupied must price all of their units affordably for moderate-income households. Setting a threshold number of rental versus ownership units could influence the type of tax exemption applications received in favor of a particular tenure.
- **Ensuring that affordability endures.** Affordable units may be at risk of losing their affordable status both at the end of the MFTE time period and during its existence if a developer decides to opt out of the program. Requiring [affordability covenants](#) for these units is one method for preserving affordability.

**Implementation.** State law requires an application process and procedures. Cities will need to allocate staff and resources to reviewing applications. A fee may be charged for the request. The agency has 90 days to approve or deny the application.

**Monitoring.** The law requires regular reporting by applicants and by cities. Upon construction and annually thereafter, the property owner must file reports containing information such as occupancy, vacancy, and other

items required by the city. Cities will also want to make sure that these requirements are not too onerous. In some cases, partnerships between non-profits and for-profits to ensure secure income certifications and monitoring may be helpful.

Cities must report to the State of Washington Department of Commerce annually by December 31 regarding certificates granted, unit types, monthly rent and sales costs, and other information. Cities could use these regular reports to monitor the success of the program and build supporting data for future program goals. Some cities establish a sunset clause by which time the city may re-adopt or let expire the tax exemption program.

## Model Policies, Model Regulations, Other Information

**State of Washington:** [RCW 84.14](#)

See adopted ordinances of the following cities at: <http://www.mrsc.org/codes.aspx>

- Bremerton: Downtown Core and Multiple Residential Zones
- Burien: Downtown Commercial Zone
- Everett: Downtown and vicinity
- Kirkland: Central Kirkland/Houghton; Totem Lake and North Rose Hill; Juanita; and NE 85th Street
- Lynwood: City Center
- Puyallup: central business district (CBD) and certain areas south of the CBD
- SeaTac: 154th Street and SeaTac/Airport Station Areas
- Seattle: 39 neighborhoods or districts
- Shoreline: Ridgecrest District
- Tacoma: 17 mixed-use centers designated on the Generalized Land Use Plan and in the Comprehensive Plan

## APPENDIX D. HB 1406

### MEMORANDUM

**TO:** Alliance for Housing Affordability Joint Board

**FROM:** Chris Collier, Alliance for Housing Affordability Program Manager

**DATE:** June 7, 2019

**SUBJECT:** State Sales Tax Exemption for Investment in Affordable Housing

#### Summary & Recommendation

This bill allows cities to pass a resolution of intent to impose a sales and use tax (at a rate of 1.46% or 0.73%) that is credited against the 6.5% sales tax collected by Washington State in that jurisdiction. This resolution of intent must be passed by simple majority vote prior to January 28, 2020, with a requirement for implementation of the tax prior to July 28, 2020. Cities with a qualifying local tax (or that pass a qualifying local tax prior to July 28, 2020), can tax at a rate of 1.46%, while cities without a qualifying local tax can tax at a rate of 0.73%.

It is strongly encouraged that all AHA member jurisdictions pass a resolution of intent (draft attached) at a rate of 0.73%, as this incurs zero additional cost on residents while also providing critically needed local support for affordable housing. Furthermore, this bill allows for cooperation under interlocal agreements, and thus makes AHA a perfect vehicle by which cities can generate funds at no cost and see them administered at no cost, and applied to local projects, all while retaining local guidance over the process. This tax expires 20 years after it first takes effect.

#### Background

Substitute House Bill 1406, *Affordable and Supportive Housing – Local Sales and Use Tax*, (SHB 1406) passed the State Legislature and was signed into law by Governor Inslee on May 9, 2019. The bill takes effect on July 28, 2019.

Washington State imposes a flat 6.5% sales and use tax in every jurisdiction in the state, on top of which is layered local sales and use taxes. This bill allows jurisdictions that wish to participate, via passage of a resolution of intent, to impose a 0.73% local sales and use tax that is offset by a credit from the State's collected sales taxes, resulting in net \$0 of increased taxes for residents. In effect, the authority to impose this 0.73% tax is a give-away by Washington State to local jurisdictions for application to affordable and supportive housing. The amount received from this tax is not re-adjusted annually, but instead fixed based on the total collected sales tax in the jurisdiction in 2019.

If a jurisdiction has a qualifying local tax, or passes ("passage" remains ambiguous – a resolution of intent or collecting revenue is unclear at this time) a qualifying local tax prior to July 28, 2020, the rate of sales tax (and credit against state taxes) rises to 1.46%. A qualifying local tax is:

- A levy ([under RCW 84.52.105](#));
- A sales tax for housing ([RCW 82.14.530](#));
- Chemical Dependency and Mental Health (CDMH) Sales Tax ([RCW 82.14.460](#));
- Or a property tax levy used exclusively for affordable housing ([RCW 84.55.050](#)) at more than half the minimum

None of these taxes are imposed in any municipality of Snohomish County, so they are limited to the 0.73% tax rate, however Snohomish County itself has passed a CDMH tax, and therefore can obtain the 1.46% rate from unincorporated County. In cases where a city does not have a qualifying local tax, but the county does, the city

can impose the 0.73% tax, while the county can layer on an addition 0.73% (for a total of 1.46% credit to state collections, with half going to the county, and half going to the municipality, if participating).

Funds generated by this tax may be used for: acquiring, rehabilitating or constructing affordable housing (including units within an existing structure), or facilities providing supportive housing; funding the operations and maintenance costs of new units of affordable or supportive housing; or providing rental assistance to tenants (if city population is less than 100,000). In all these cases, the assistance must be for households at or below 60% of area median income of the county or city imposing the tax.

### **Interlocal Cooperation**

HB 1406 recognizes the small dollar amounts that may be generated in individual jurisdictions, and therefore allows pooling of funds via interlocal agreements in accordance with chapter 39.34 RCW. The bill specifically notes that interlocal agreements are not limited to just the pooling of tax revenues but provides no further specifics. It should be noted that AHA member jurisdictions are already party to an interlocal agreement that formed AHA and could reasonably expect to be able to pool tax revenues from this bill under the existing ILA.

### **Bonding**

Revenues collected under this tax may be bonded against as general obligation or revenue bonds. However, the bill language does not make clear if these bonds may similarly be pooled among jurisdictions and appears to be an outstanding question without an answer at time of writing.

### **Rationale for Implementation**

Snohomish County is undeniably amid an affordability crisis. Rent has risen by 40% from 2010 to 2017, and home sale prices rose at an equal or greater rate in the same period. Area median income, however, has risen approximately 18% during this timeframe. The continued trends in housing cost and income do not appear to be reversing and signal a continued worsening of this problem. While it is an individual city's decision on whether or not to pass a qualifying local tax, in pursuit of the authority to levy a 1.46% sales and use tax, the 0.73% tax is accessible to all jurisdictions.

The only impediment to imposition of a tax at 0.73% is the administrative cost involved in monitoring its use and ongoing compliance. For some smaller jurisdictions that would collect a modest amount of revenue, the cost to administer may not be worth it. However, in the case of AHA jurisdictions, this cost can be avoided by pooling tax revenues in the AHA Housing Trust Fund, an existing program of plans and procedures, supported by the Housing Authority of Snohomish County. In this way, AHA jurisdictions can reap the benefits of applying local dollars to local projects in their comprehensive plans, while raising \$0 of taxes on their residents, and incurring no administrative costs. It is therefore strongly urged that all jurisdictions review the included draft resolution of intent and consider its implementation prior to January 28, 2020.

City	2017 Taxable Sales	2018 Taxable Sales	Change	State 6.5% Sales Tax Amount	0.73% Of State	1.46% Of State	
Arlington	\$514,121,330	\$565,383,072	10.00%	\$3,674,990	\$26,827	\$53,655	
Edmonds	\$853,121,618	\$984,635,736	15.40%	\$6,400,132	\$46,721	\$93,442	
Everett	\$2,934,305,078	\$3,011,204,288	2.60%	\$19,572,828	\$142,882	\$285,763	
Granite Falls	\$53,611,696	\$81,822,624	52.60%	\$531,847	\$3,882	\$7,765	
Lake Stevens	\$387,337,229	\$436,813,481	12.80%	\$2,839,288	\$20,727	\$41,454	
Lynnwood	\$2,555,376,900	\$2,651,586,552	3.80%	\$17,235,313	\$125,818	\$251,636	
Marysville	\$1,115,263,571	\$1,217,660,374	9.20%	\$7,914,792	\$57,778	\$115,556	
Mill Creek	\$334,176,406	\$336,819,605	0.80%	\$2,189,327	\$15,982	\$31,964	
Mountlake Terrace	\$242,010,057	\$274,988,379	13.60%	\$1,787,424	\$13,048	\$26,096	
Mukilteo	\$295,137,689	\$304,148,986	3.10%	\$1,976,968	\$14,432	\$28,864	
Snohomish City	\$482,217,779	\$499,991,608	3.70%	\$3,249,945	\$23,725	\$47,449	
Stanwood	\$165,737,230	\$179,152,876	8.10%	\$1,164,494	\$8,501	\$17,002	
Woodway	\$21,289,327	\$23,706,013	11.40%	\$154,089	\$1,125	\$2,250	
Uninc. Snohomish County	\$3,238,958,001	\$3,669,166,928	13.30%	\$23,849,585	\$174,102	\$348,204	
					\$675,549	\$1,351,099	With County
					\$501,448	\$1,002,895	Without County

**APPENDIX E. HART Group List and Issues**

**Work Group Volunteers**

July 18, 2019

**Policy & Regulatory Work Group**

First Name	Last Name	Title	Organization
Jennifer	Bereskin-Delia	Community Member	Community Services Advisory Committee
Kristen	Cane	Director of Development and Policy	Housing Authority of Snohomish County
Chris	Collier	Program Manager	Alliance for Housing Affordability
Alessandra	Durham	Senior Analyst	Snohomish County Executive Office
Allan	Giffen	Planning Director	City of Everett, Community Planning & Economic Development
Marianna	Hanefeld	Mobility Manager	Workforce Snohomish/SNOTRAC
John	Hull	Director of Strategic Initiatives	Everett Gospel Mission
Jack	Hunden	President	DevCo, LLC
Ken	Katahira	Human Services Specialist	Snohomish County Human Services
Ashley	Lommers-Johnson	Executive Director	Everett Housing Authority
Barb	Mock	Director	Snohomish County Planning & Development Services
Cami	Morrill	Executive Director	Realtor's Association
Tony	Nabors	Director of Diversity, Equity, and Inclusion	Everett Housing Authority
Mark	Smith	Executive Director	Housing Consortium of Everett and Snohomish Co.
Kim	Toskey	CEO	Homes and Hope Community Land Trust

Ashley Winchell SR. PLANNER City of Lynnwood

**HART Ballot Results**  
**Policy & Regulatory Concepts**

Topic Rank	Avg Rating	Proposal #	Policy & Regulatory Concepts
1	4.64	P01	Promote greater housing growth and diversity to achieve a variety of housing types at a range of affordability and improve jobs/housing connections
2	4.50	P29	Revise local zoning to encourage accessory dwelling units (ADU)
3	4.50	P53	Authorize a variety of housing options
4	4.36	P05	Prioritize affordability accessible within a half mile walkshed of existing and planned frequent transit services, with a particular priority for high-capacity transit stations
5	4.15	P48	Provide surplus land for affordable housing
6	4.14	P27	Update zoning and land use regulations (including in single-family low-rise zones) to increase and diversify housing choices
7	4.14	P28	Advocate for expansion of funding of the state public works trust fund
8	4.08	P39	Provide incentives/zoning to locate affordable housing units are able to be located in proximity to transit and other services
9	4.07	P08	Increase zoning density along transit corridors
10	4.00	P17	Facilitate more efficient deal assembly and development timelines
11	4.00	P36	Ensure adequate buildable land supply
12	3.93	P35	Expedite permitting processes
13	3.86	P37	Increase zoned capacity, particularly increase size of areas with multi-family zoning, and the level of multi-family zoning (height, size) since this is what is most likely to be affordable to those making less than 100% of AMI: increasing density and height allowances
14	3.86	P42	Reduce regulatory barriers
15	3.83	P10	Implement the Multi-Family Property Tax Exemption for housing along transit corridors and/or providing affordable housing
16	3.82	P46	Increase SEPA categorical exemptions for multi-family projects near transit
17	3.82	P47	Provide more accurate information for comprehensive land use plans
18	3.79	P02	Protect low-income communities from displacement by taking steps to identify and preserve affordable housing at risk of redevelopment.
19	3.79	P09	Allow increased building heights in exchange for production of affordable housing
20	3.79	P43	Increase incentives for density
21	3.77	P23	Prioritize affordable housing on surplus public land
22	3.77	P52	Increase minimum density
23	3.73	P07	Create and support an ongoing structure for regional collaboration around production of affordable housing

**HART Ballot Results**  
**Policy & Regulatory Concepts**

Topic Rank	Avg Rating	Proposal #	Policy & Regulatory Concepts
24	3.73	P15	Promote cost-effectiveness through consolidation, coordination, and simplification
25	3.69	P22	Establish specific affordable housing goals in local housing elements
26	3.69	P44	Allow supportive housing in all multi-family zones
27	3.67	P11	Increase SEPA categorical exemption threshold for larger multi-family developments
28	3.64	P16	Remove barriers to reducing construction costs and delays
29	3.64	P32	Reduce short plat threshold for affordable housing projects
30	3.62	P04	Encourage cities to enter into cooperation agreements with the County Housing Authority
31	3.62	P06	Increase construction and preservation of affordable homes for households earning less than 50% of area median income
32	3.62	P38	Encourage cities and county to utilize authority of HB 1377 (2019) to grant density bonuses on church-owned property
33	3.58	P40	Implement the multi-family property tax exemption (MFTE)
34	3.57	P13	Reduce utility connection charges for affordable housing projects
35	3.54	P21	Require affordable housing in developments near transit hubs
36	3.50	P20	Waive or reduce impact fees for affordable housing
37	3.42	P03	Preserve access to affordable homes for renters by supporting tenant protections to increase housing stability and reduce risk of homelessness
38	3.38	P24	Implement comprehensive inclusionary/incentive housing policies in all existing and planned frequent transit service to achieve the deepest affordability possible through land use incentives to be identified by local jurisdictions
39	3.38	P34	Reduce parking requirement for multi-family projects
40	3.36	P14	Allow supportive housing in all multi-family residential zones
41	3.36	P19	Waive or reduce utility connection fees for affordable housing
42	3.33	P50	Authorize density at 40 units/acre (max before requiring underground parking) to help larger projects pencil out
43	3.31	P33	Reduce impact fees and mitigation fees for affordable housing projects
44	3.27	P41	State legislation to enable County to implement MFTE
45	3.23	P49	Prioritize housing for those with behavioral health needs
46	3.17	P51	Move out the urban growth boundary
47	3.14	P12	Reduce offstreet parking requirements for multi-family projects near transit
48	3.14	P18	Reduce parking requirements for affordable housing
49	3.14	P45	Reduce parking requirements for multi-family housing

**HART Ballot Results**  
**Policy & Regulatory Concepts**

Topic Rank	Avg Rating	Proposal #	Policy & Regulatory Concepts
50	3.08	P25	Propose and support legislation and statewide policies related to tenant protection to ease implementation and provide consistency for landlords
51	3.00	P31	Encourage Cities to adopt zoning changes to facilitate "tiny homes" as permanent housing as authorized by ESB 5383 (2019)
52	2.85	P26	Adopt programs and policies to improve the quality of housing in conjunction with necessary tenant protections
53	2.62	P30	Encourage adoption of mandatory inclusionary zoning